

2008 Instructions for Form 990 (Core Form)

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Overview. Form 990, Part VII requires the listing of the organization's current or former **officers, directors, trustees, key employees, and highest compensated employees**, and current **independent contractors**, and reporting of certain **compensation** information relating to such persons.

All organizations are required to complete Part VII, and when applicable, Schedule J, Compensation Information, for certain persons. Compensation must be reported for the calendar year ending with or within the organization's **tax year**. In some cases, persons are reported in Part VII or Schedule J only if their **reportable compensation** (as explained below) or total compensation (as explained below) from the organization and **related organizations** (as explained in the Schedule R instructions) exceeds certain thresholds. In some cases, compensation from an **unrelated organization** must be reported on the Form 990. See the instructions for Part VII, Section A, line 5. The amount of compensation reported in Form 990, Part VII for a listed person may differ from the amount reported in Form 990, Part IX, line 5 for such person due to factors such as a different reporting period (calendar vs. **fiscal year**) or a different reporting method.

Form 990, Part VII relies on definitions of reportable compensation and other compensation. **Reportable compensation** generally refers to compensation reported on Form W-2, Box 5 and Form 1099-MISC, Box 7. Organizations must report **other compensation** in Part VII as well, as discussed further below.

Organizations must report compensation for both current and former officers, directors, trustees, key employees, and highest compensated employees. The distinction between current and former such persons is discussed below. The determination of "former" uses a 5-year look-back period.

Organizations must report compensation from themselves and from related organizations, which generally consist of parents, subsidiaries, brother/sister organizations, supporting organizations, and supported organizations. See the Schedule R instructions for a fuller discussion of related organizations.

Part VII, Section A requires reporting of officers, directors, trustees, key employees, and up to five of the organization's highest compensated employees. Compensation from related organizations must also be taken into account in determining a person's compensation and reported in Part VII, Section A, columns (E) and (F). Part VII, Section A provides space for listing up to 34 different persons. Use Schedule J-2, Continuation Sheet for Compensation, if more space is needed to list additional persons. Use as many Schedules J-2 as needed.

Section B requires reporting of the five highest compensated independent contractors. Section B does not require reporting of compensation from related organizations.

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

Overview. Organizations are required to list in Part VII, Section A the following **officers, directors, trustees**, and **employees** of the organization whose **reportable compensation** from the organization and **related organizations** (as explained in the Schedule R instructions) exceeded the following thresholds:

- current officers, directors, and trustees (no minimum compensation threshold)
- current **key employees** (over \$150,000 of reportable compensation)
- current five highest compensated employees other than officers, directors, trustees, or listed key employees (over \$100,000 of reportable compensation)
- former officers, key employees, and **highest compensated employees** (over \$100,000 of reportable compensation, with special rules for former highest compensated employees)
- former directors and trustees (over \$10,000 of reportable compensation in the capacity as a former director or trustee)

Special rules described below apply for **disregarded entities** of which the organization is the sole member.

To determine which persons are current or former officers, directors, trustees, key employees, or highest compensated employees, see the instructions to Part VII, Section A, column (C) below.

Fiscal Year Filers. To determine which persons are listed in Part VII, Section A, the organization must use the calendar year ending with or within the organization's **fiscal year** for some (those whose **compensation** must exceed minimum thresholds in order to be reported) and the fiscal year for others. Report officers, directors, and trustees that served at any time during the fiscal year (such are "current" **officers, directors**, and **trustees**). Report the following persons based on **reportable compensation** and status for the calendar year ending within the fiscal year:

- Current **key employees** (over \$150,000 of **reportable compensation** from the organization and related organizations)
- Current five **highest compensated employees** (over \$100,000 of reportable compensation from the organization and **related organizations**)
- Former officers, key employees, and five highest compensated employees (over \$100,000 of reportable compensation from the organization and related organizations, with special rules for former highest compensated employees)
- Former directors and trustees (over \$10,000 of reportable compensation for services in the capacity as director or trustee of the organization, from the organization and related organizations)

Report compensation in Form 990, Part VII for the calendar year ending within the organization's **fiscal year**, including that of current officers, directors, and trustees, even if the fiscal year is used to determine which such persons must be listed in Part VII.

Director or trustee. A "**director or trustee**" is a member of the organization's **governing body**, but only if the member has voting rights. A director or trustee that served at any time during the organization's **tax year** is deemed a current director or trustee. Members of advisory

boards that do not exercise any governance authority over the organization are not considered directors or trustees.

An “**institutional trustee**” is a trustee that is not an individual or natural person but an organization. For instance, a bank or trust company serving as the trustee of a trust is an institutional trustee.

Officer. An **officer** is a person elected or appointed to manage the organization’s daily operations, such as a president, vice-president, secretary, or treasurer. An officer that served at any time during the organization’s **tax year** is deemed a current officer. The officers of an organization are determined by reference to its organizing document, bylaws, resolutions of its **governing body**, or as otherwise designated consistent with State law, but at a minimum include those officers required by applicable state law. This definition encompasses “officers of the board” and “officers of the corporation.” For purposes of Form 990 reporting, including Part VII, Section A and Schedule J, treat as an officer the following persons, regardless of their titles:

1. **Top management official.** The person who has ultimate responsibility for implementing the decisions of the governing body or for supervising the management, administration, or operation of the organization.
2. **Top financial official.** The person who has ultimate responsibility for managing the organization’s finances.

If ultimate responsibility resides with two or more individuals (e.g., co-presidents or co-treasurers), who may exercise such responsibility in concert or individually, then treat all such individuals as officers.

Key employee. For purposes of Form 990 reporting, a current **key employee** is an **employee** of the organization (other than an **officer**, **director**, or **trustee**) who meets all three of the following tests:

1) *\$150,000 Test:*

Receives **reportable compensation** from the organization and all **related organizations** in excess of \$150,000 for the **calendar year** ending with or within the organization’s **tax year**.

2) *Responsibility Test:*

- (a) has responsibilities, powers or influence over the organization as a whole that is similar to those of officers, directors, or trustees;
- (b) manages a discrete segment or activity of the organization that represents 10% or more of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole; or
- (c) has or shares authority to control or determine 10% or more of the organization’s capital expenditures, operating budget, or compensation for **employees**.

3) *Top 20 Test:*

Is one of the 20 employees (that satisfy the \$150,000 Test and Responsibility Test) with the highest reportable compensation from the organization and **related organizations** for the calendar year ending with or within the organization’s **tax year**.

If the organization has more than 20 individuals who meet the Responsibility Test and \$150,000 Test, report as key employees only the 20 individuals that have the highest reportable

compensation from the organization and related organizations. Note that any others, up to five, might be reportable as current **highest compensated employees** over \$100,000. Use the calendar year ending with or within the organization's tax year for determining the organization's current key employees.

An individual that is not an employee of the organization (or of a **disregarded entity** of the organization) is nonetheless treated as a key employee if he or she serves as an officer or director of a disregarded entity of the organization and otherwise meets the standards of a key employee described above. See Disregarded Entities, below, for the treatment of certain employees of a disregarded entity as a key employee of the organization.

Management companies and similar entities that are **independent contractors** should not be reported as key employees. The organization's **top management official** and **top financial official** are deemed officers rather than key employees.

In the examples set forth below, assume that the individual involved is an employee that satisfies the \$150,000 and Top 20 Tests and is not an **officer**, **director**, or **trustee**.

Example 1. T is a large section 501(c)(3) university. L is the dean of the law school of T, which generates more than 10% of the revenue of T, including contributions from alumni and foundations. Although L does not have ultimate responsibility for managing the university as a whole, L meets the Responsibility Test and is thus reportable as a key employee of T.

Example 2. S chairs a small academic department in the College of Arts and Sciences of the same university T described above. As department chair, S supervises faculty in the department, approves the course curriculum, and oversees the operating budget for the department. The department represents less than 10% of the university's activities, assets, income, expenses, capital expenditures, operating budget, and employee compensation. Under these facts and circumstances, S does not meet the Responsibility Test and thus is not a key employee of T.

Example 3. U is a large acute-care section 501(c)(3) hospital. U employs X as a radiologist. X gives instructions to staff with respect to the radiology work X conducts, but X does not supervise other U employees, manage the radiology department, or have or share authority to control or determine 10% or more of U's capital expenditures, operating budget, or employee compensation. Under these facts and circumstances, X does not meet the Responsibility Test and thus is not a key employee of U.

Example 4. W is a cardiologist and head of the cardiology department of the same hospital U described above. The cardiology department is a major source of patients admitted to U and consequently represents more than 10% of U's income, as compared to U as a whole. As department head, W manages the cardiology department. Under these facts and circumstances, W meets the Responsibility Test and thus is a key employee of U.

Five Highest Compensated Employees. The organization is required to list its current five **highest compensated employees** whose **reportable compensation** combined from the organization and **related organizations** is greater than \$100,000 for the calendar year ending with or within the organization's **tax year** and who are not also an **officer**, **director**, **trustee**, or **key employee** of the organization. Such individuals are the "current" five highest compensated employees. This may include persons who meet some but not all of the tests for key employee status. The organization is not required to list more than the top five such persons, ranked by

amount of reportable compensation. Use the calendar year ending with or within the organization's tax year for determining the organization's current five highest compensated employees.

Example. X is an employee of Y University and is not an officer, director, or trustee. X's reportable compensation for the calendar year exceeds \$150,000, and X meets the Responsibility Test. X would qualify as a key employee of Y, except that 20 employees had higher reportable compensation and otherwise qualify as key employees; therefore those 20 are listed as the organization's key employees. X has the highest reportable compensation from the organization and related organizations of all employees other than the 20 key employees. X must be listed as one of the organization's five highest compensated employees.

\$10,000 exceptions for reporting compensation. Report compensation paid or accrued by the filing organization and **related organizations**. Special rules apply with respect to reporting **reportable compensation** and other compensation.

All reportable compensation paid by the filing organization must be reported. Reportable compensation paid by a related organization is not required to be reported unless (1) it is \$10,000 or more for the calendar year ending with or within the organization's tax year (the "\$10,000-per-related-organization exception"), or (2) it is paid for past services to the filing organization in the person's capacity as a former director or trustee.

A particular item of other compensation (such as described in the compensation table below) that is paid or accrued by the filing organization is not required to be reported unless (1) it is \$10,000 or more for the calendar year ending with or within the organization's tax year (the "\$10,000-per-item exception") or (2) it is one of the five types of compensation (generally constituting deferred compensation and health benefits) that must be reported regardless of amount (see below). The same principles apply with respect to items of other compensation paid or accrued by a related organization (applied separately to each related organization).

The \$10,000 exceptions do not apply to reporting compensation in Schedule J, Part II.

Reportable compensation. Reportable compensation consists of:

- For **officers** and other **employees** --- amounts required to be reported in Box 5 of Form W-2.
- For **directors** and individual **trustees** --- amounts required to be reported in Box 7 of Form 1099-MISC (plus Box 5 of Form W-2 if also compensated as an officer or employee).
- For **institutional trustees** --- fees for services paid pursuant to a contractual agreement or statutory entitlement. While the compensation of institutional trustees must be reported in Form 990, Part VII, it need not be reported in Schedule J.

If the organization did not file a Form 1099-MISC because the amounts paid were below the threshold reporting requirement, then include and report the amount actually paid.

TIP: Corporate officers are considered employees for purposes of Form W-2 reporting, unless they perform no services as officers, or perform only minor services and neither receive nor are entitled to receive, directly or indirectly, any **compensation**. Corporate directors are considered independent contractors, not employees, and director compensation, if any, generally is required to be reported on Form 1099-MISC. See Regulations section 31.3401(c)-1(f).

For certain kinds of **employees**, such as certain members of the clergy and religious workers who are not subject to social security and Medicare taxes as employees, Box 5 of Form W-2 may be zero or blank. In such case, the amount required to be reported in Box 1 of Form W-2 must be reported as reportable compensation.

To determine whether an individual received more than \$100,000 (or \$150,000) in reportable compensation in the aggregate from the organization and **related organizations**, add the following amounts:

- The amount reported in Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC issued to the individual by the organization.
- Amounts reported in Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC issued to the individual by each related organization that reported \$10,000 or more.

To determine whether an individual received solely in his or her capacity as a former trustee or director of the organization more than \$10,000 in reportable compensation for the calendar year ending with or within the organization's **tax year**, in the aggregate, from the organization and all related organizations (and thus must be reported in Form 990, Part VII and Schedule J, Part II), add the amounts reported in Box 7 of all Forms 1099-MISC and, if relevant, Box 5 of all Forms W-2 issued to the individual by the organization and all related organizations for the calendar year ending with or within the organization's tax year. Report such amounts only to the extent that such amounts relate to the individual's past services as a trustee or director of the organization, and do not disregard any payments from a related organization below \$10,000 for such purpose.

Other compensation. Other compensation includes **compensation** other than **reportable compensation**, including **deferred compensation** not currently reportable on Form W-2, Box 5 or Form 1099-MISC, Box 7, and certain nontaxable benefits, as discussed in the Schedule J, Part II instructions. See the instructions for other compensation reported in column (F) below, which includes a table to show where and how to report certain types of compensation on Part VII, Section A and Schedule J.

Disregarded entities. **Disregarded entities** (such as a limited liability company that is wholly owned by the organization and not treated as a separate entity for federal tax purposes) are treated as part of the organization rather than as **related organizations** for purposes of Form 990, including for Part VII and Schedule J. A person is not considered an **officer** or **director** of the organization by virtue of being an officer or director of a disregarded entity, but he or she may qualify as a **key employee** or **highest compensated employee** of the organization. An officer, director, or employee of a disregarded entity is a key employee of the organization if he or she meets the \$150,000 and Top 20 Tests for the filing organization as a whole and if, with respect to the Responsibility Test, the person has responsibilities, powers or influence over a discrete segment or activity of the disregarded entity that represents at least 10 percent of the activities, assets, income or expenses of the filing organization as a whole, or has or shares authority to control or determine the disregarded entity's capital expenditures, operating budget, or compensation for employees that constitutes at least 10 percent of the filing organization's respective items as a whole. If an officer or director of a disregarded entity also serves as an officer, director, trustee, or key employee of the organization, report this individual as an officer, director, trustee, or key employee, as applicable, of the organization, and add the compensation, if any, paid by the disregarded entity to this individual to the compensation, if any, paid directly by the organization to this individual. Report the total aggregate amount in column (D).

Management Companies. Management companies, as independent contractors, are reported in Form 990, Part VII (if at all) only in Section B, Independent Contractors, and are not reported in Schedule J, Part II. If a current **officer, director, trustee, or key employee** listed in Form 990, Part VII, Section A has a relationship with a management company that provides services to the organization, then the relationship may be reportable in Schedule L, Part IV. The same is true for a former officer, director, trustee, or key employee within the last five years, whether or not listed in Form 990, Part VII, Section A. If a current or former officer, director, trustee, key employee, or **highest compensated employee** receives **compensation** from a management company that provides services to the organization and is a related organization, then the individual's compensation from the management company must be reported in Form 990, Part VII, Section A, columns (E) and (F). Questions pertaining to management companies also appear in Form, 990 Part VI, line 3 and Schedule H, Part IV.

Column (A). Name and title. For each person required to be listed, enter the name in the top of each row and the person's title or position with the organization in the bottom of the row. List all titles or positions if more than one. List persons in the following order: individual **trustees or directors; institutional trustees; officers; key employees; highest compensated employees**; and former such persons. Use the Schedule J-2 Continuation Sheet if additional space is needed for additional persons or titles.

Column (B). Average hours per week. For each person listed in column (A), estimate the average hours per week devoted to the organization during the year. Entry of a specific number is required for a complete answer. Enter "-0-" if applicable. Do not include statements such as "as needed," "as required," or "40+." If the average is less than one hour per week, then the organization may report a decimal rounded to the nearest tenth (e.g., 0.2 hours per week). For each person listed in column (A), provide an estimate of the average hours per week (if any) devoted to related organizations in Schedule O.

Column (C). Position. For each person listed in column (A), check all applicable boxes for positions with the organization. For a former **officer, director, trustee, key employee, or highest compensated employee**, check only the "Former" box and indicate the former status in the person's title.

"Current" officers, directors, trustees, key employees, and highest compensated employees. A "current" officer, director, or trustee is a person that was an officer, director, or trustee at any time during the organization's **tax year**. A "current" key employee or highest compensated employee is a person who was a key employee or highest compensated employee for the calendar year ending with or within the organization's tax year.

If the organization files Form 990 based on a **fiscal year**, use the fiscal year to determine the organization's "current" officers, directors, and trustees. Whether or not the organization files Form 990 based on a **fiscal year**, use the calendar year ending with or within the organization's **tax year** to determine the organization's "current" **key employees** and five highest compensated employees.

Do not check the "Former" box if the person was a current officer, director, or trustee at any time during the organization's tax year, or a current key employee or among the five highest compensated employees for the calendar year ending with or within the organization's tax year. A current employee (other than a current officer, director, trustee, key employee, or highest compensated employee) may be reported in Form 990, Part VII and Schedule J, Part II as (1) a

former director or trustee because he or she formerly served as a director or trustee and received more than \$10,000 **reportable compensation** in the capacity as a former director or trustee, or (2) a former officer or key employee (but not as a former highest compensated employee) because he or she qualified as an officer or key employee within the last five years and received more than \$100,000 of reportable compensation. In such case indicate the individual's former position in his or her titles (e.g., "former president").

"Former" officers, directors, trustees, key employees, and highest compensated employees. Check the "Former" box with respect to former officers, directors, trustees, and key employees only if both conditions below apply:

1. the organization reported (or should have reported, applying the instructions in effect for such years) an individual on any of the organization's Forms 990, 990-EZ or 990-PF for one or more of the five prior years in one or more of the following capacities: officer, director, trustee, or key employee; and
2. The individual received **reportable compensation** in the calendar year ending with or within the organization's current **tax year** in excess of the threshold amount (\$100,000 for former officers and key employees, \$10,000 for services in the capacity as a director or trustee).

If a person was reported (or should have been reported) as an officer, director, trustee, or key employee on any of the organization's prior five Forms 990, 990-EZ or 990-PF, and the person was still employed at any time during the organization's tax year either (1) by the organization in a capacity other than as an officer, director, trustee, key employee, or highest compensated employee, or (2) by a related organization in any capacity, check only the "Former" box.

Whether or not the organization files Form 990 based on a **fiscal year**, use the calendar year ending within the organization's tax year to determine all "former" officers, directors, trustees, key employees, and five highest compensated employees (because their status depends on their reportable compensation, which is reported for the calendar year).

Check the "Former" box with respect to former five highest compensated employees only if all three conditions below apply:

1. the individual was not an **employee** of the organization at any time during the calendar year ending with or within the organization's tax year;
2. the individual's reportable compensation exceeded \$100,000 for the calendar year ending with or within the organization's tax year; and
3. the amount of the individual's reportable compensation for such year would place him or her among the organization's current five highest compensated employees if the individual were an employee during the calendar year ending with or within the organization's tax year.

Transition rule for non-501(c)(3) organizations. Organizations other than 501(c)(3) organizations do not report any former **highest compensated employees** for the 2008 Form 990.

Example 1. X was reported as one of Y Charity's five highest compensated employees over \$50,000 in Y's 2006 Form 990. For 2008, X is not a current officer, director, trustee, key employee, or highest compensated employee of Y. X is not an employee of Y during the 2008 calendar year ending with or within Y's tax year. X receives reportable compensation in excess

of \$100,000 from Y for past services and would be among Y's five highest compensated employees if X were a current employee. Y must report X as a former highest compensated employee in Y's 2008 Form 990, Part VII, Section A.

Example 2. T was reported as one of Y Charity's five highest compensated employees over \$50,000 in Y's 2007 Form 990. For 2008, T is not a current officer, director, trustee, key employee, or highest compensated employee of Y, although T is still an employee of Y during the 2008 calendar year ending with or within Y's tax year. T receives reportable compensation in excess of \$100,000 from Y and related organizations for such calendar year. T is not reportable as a former highest compensated employee in Y's 2008 Form 990, Part VII, Section A, because T was an employee of Y during the calendar year ending with or within Y's tax year.

Example 3. Z was reported as one of Y Charity's key employees in Y's 2006 Form 990. For 2008, Z is not a current officer, director, trustee, key employee, or highest compensated employee of Y. For 2008, Z receives reportable compensation of \$90,000 from Y as an employee (and no reportable compensation from related organizations). Because Z receives less than \$100,000 reportable compensation in 2008 from Y and its related organizations, Y is not required to report Z as a former key employee in Y's 2008 Form 990, Part VII, Section A.

Columns (D) & (E). Reportable compensation. Enter the amounts required to be reported on Form W-2, Box 5 and/or Form 1099-MISC, Box 7 issued to the person for the calendar year ending with or within the organization's **tax year**. Enter an amount for each person in each of columns (D) and (E) (\$0, if the person received no **reportable compensation**). For **institutional trustees** that do not receive a Form 1099-MISC, enter the amount that the organization would have reported in Box 7 if a Form 1099-MISC had been required.

Treat amounts paid by a common paymaster as defined in Regulations section 31.3121(s)-1(b) for services performed for the organization as if paid directly by the organization. Likewise, treat amounts paid by a common paymaster for services performed for a **related organization** as if paid directly by the related organization.

\$10,000-per-related-organization exception. For purposes of column (E), the organization need not include payments from a single **related organization** if less than \$10,000 for the calendar year ending with or within the organization's **tax year**, except to the extent paid to a former **director** or former **trustee** of the organization for services as a director or trustee of the filing organization. For example, if an officer of the organization received **compensation** of \$6,000, \$15,000 and \$50,000 from three separate related organizations for services provided to those organizations, the organization needs to report only \$65,000 in column (E) for the officer.

Volunteer Exception. The organization need not report in column (E) or (F) compensation from a related organization paid to a **volunteer officer**, director, or trustee of the organization if the related organization is a for-profit organization, is not owned or controlled directly or indirectly by the organization or one or more related tax-exempt organizations, and does not provide management services for a fee to the organization.

Bank or Financial Institution Trustee Exception. If the organization is a trust with a bank or financial institution trustee that is also trustee of another trust, it need not report in column (E) or (F) compensation from the other trust for services provided as the trustee to the other trust.

Reasonable effort. The organization is not required to report compensation from a **related organization** to a person listed in Form 990, Part VII, Section A if the organization is unable to

secure the information on **compensation** paid by the related organization after making a **reasonable effort** to obtain it. In such case, the organization shall report the efforts undertaken in Schedule O. An example of a reasonable effort is for the organization to distribute a questionnaire annually to each such listed person that includes the name, title, date, and signature of each person reporting information and contains the pertinent instructions and definitions for Form 990, Part VII, Section A, columns (E) and (F).

Column (F). Other compensation. Other compensation generally includes **compensation** not currently reportable on Form W-2, Box 5 or Form 1099-MISC, Box 7, including nontaxable benefits other than disregarded benefits, as discussed in the Schedule J, Part II instructions. Treat amounts paid or accrued under a **deferred compensation** plan, or held by a deferred compensation trust, that is established, sponsored, or maintained by the organization (or a **related organization**) as paid, accrued, or held directly by the organization (or the related organization). Enter an amount for each person (\$0, if applicable). Report a reasonable estimate if actual numbers are not readily available.

The following items of compensation provided by the filing organization must be reported as "other compensation" in column (F) in all cases regardless of the amount to the extent they are not included in column (D):

1. Tax-deferred contributions by the employer to a qualified defined-contribution retirement plan.
2. The annual increase in actuarial value of a qualified defined-benefit plan, whether or not funded or vested.
3. The value of health benefits provided by the employer, whether or not qualified, that are not included in reportable compensation. For this purpose, health benefits provided by the employer include payments of health benefit plan premiums, medical reimbursement and flexible spending programs, and the value of health coverage (rather than actual benefits paid) provided by an employer's self-insured or self-funded arrangement. Health benefits include dental, optical, drug, and medical equipment benefits. They do not include disability or long-term care insurance premiums or benefits for this purpose.
4. Tax-deferred contributions by the employer and employee to a non-qualified defined contribution plan, whether or not funded, vested, or subject to a substantial risk of forfeiture.
5. The annual increase in actuarial value of a non-qualified defined benefit plan, whether or not funded, vested, or subject to a substantial risk of forfeiture.

\$10,000-per-item exception. Neither the organization nor a **related organization** is required to report in Form 990, Part VII, Section A any other item of **other compensation** if its value is less than \$10,000 for the calendar year ending with or within the organization's tax year.

Amounts excluded under the two separate \$10,000 exceptions (the \$10,000-per-related-organization and \$10,000-per-item exceptions) are to be excluded from **compensation** in determining whether an individual's total **reportable compensation** and other compensation exceeds the thresholds set forth in Form 990, Part VII, Section A, line 4. If the individual's total compensation exceeds the relevant threshold, then the amounts excluded under the \$10,000 exceptions are included in the individual's compensation reported in Schedule J. Thus the total amount of compensation reported in Schedule J may be higher than the amount reported in Form 990, Part VII, Section A. The \$10,000 exceptions apply separately with respect to each item of other compensation from the organization and from each related organization.

Example.

Organization X provides the following compensation to its current officer:

\$110,000	reportable compensation (including \$5,000 pre-tax employee contribution to qualified defined-contribution retirement plan)
5,000	tax-deferred employer contribution to qualified defined-contribution retirement plan
5,000	nontaxable employer contribution to health benefit plan
4,000	nontaxable dependent care assistance
500	nontaxable group life insurance premium
8,000	moving expense (nontaxable as qualified under section 132)

Organization Y, a related organization, also provides compensation to the officer as follows:

\$21,000	reportable compensation (including \$1,000 pre-tax employee contribution to qualified defined-contribution retirement plan)
1,000	tax-deferred employer contribution to qualified defined-contribution retirement plan
5,000	nontaxable tuition assistance

The officer receives no compensation in the capacity as a former director or trustee of X, and no unrelated organization pays the officer for services provided to X. The organization may disregard as other compensation (a) the \$4500 dependent care and group life payments from the organization, under the \$10,000-per-item exception, (b) the \$8000 moving expense from the organization, because such amount is excluded from reportable and other compensation under section 132 (in both Form 990, Part VII and Schedule J, Part II), and (c) the \$5000 tuition from the related organization, under the \$10,000-per-item exception, in determining whether the officer's total reportable and other compensation from the organization and related organizations exceeds \$150,000. In this case, total reportable compensation is \$131,000, and total other compensation (excluding the excludible items below \$10,000) is \$11,000. Under these circumstances, the officer's dependent care, group life, moving expense, and tuition items need not be reported as other compensation in Form 990, Part VII, Section A, column (F), and the officer's total reportable and other compensation (\$142,000) is not reportable in Schedule J. If instead, the officer's reportable compensation from Y were \$30,000 rather than \$21,000, then the officer's total reportable and other compensation (\$151,000) would be reportable in Schedule J, including the dependent care, group life, and tuition items, even though these items would not have to be reported as other compensation in Form 990, Part VII.

Compensation table for reporting on Part VII, Section A or Schedule J, Part II. The following table may be useful in determining how and where to report items of **compensation** in Form 990, Part VII, Section A and in Schedule J, Part II. The list is not comprehensive but covers most items for most organizations. Many items of compensation may or may not be taxable or currently taxable, depending on the plan or arrangement adopted by the organization and other circumstances. The list attempts to take into account these varying facts and circumstances. The list is merely a guideline to report amounts for those persons required to be listed. In all cases, items included in Box 5 of Form W-2 and Box 7 of Form 1099-MISC are required to be reported in Part VII, Section A and, for applicable persons, Schedule J, Part II, column B. Items marked with an asterisk ("*") instead of an "x" are excludible from Form 990, Part VII, Section A, column (F) if below \$10,000.

Type of compensation	Where to report
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	Form 990, Part VII, Section A, Col. (D) or (E)			Form 990, Part VII, Section A, Col. (F)	
	Schedule J, Part II, Col.				
	B(i)	B(ii)	B(iii)	C	D
Base salary/wages/fees paid	x				
Base salary/wages/fees deferred (taxable)	x				
Base salary/wages/fees deferred (nontaxable)				x	
Bonus paid (including signing bonus)		x			
Bonus deferred (taxable in current year)		x			
Bonus deferred (not taxable in current year)				x	
Incentive compensation paid		x			
Incentive compensation deferred (taxable in current year)		x			
Incentive compensation deferred (not taxable in current year)				x	
Severance or change of control payments made			x		
Sick pay paid by employer	x				
Third party sick pay			x		
Other compensation amounts deferred (taxable in current year)		x			
Other compensation amounts deferred (not taxable in current year)				x	
Tax gross-ups paid			x		
Vacation/sick leave cashed out			x		
Stock options at time of grant				x	
Stock options at time of exercise			x		
Stock awards paid by taxable organizations substantially vested			x		
Stock awards paid by taxable organizations not vested				x	
Stock equivalents paid by taxable organizations substantially vested			x		
Stock equivalents paid by taxable organizations not vested				x	
Loans—forgone interest or debt forgiveness			x		
Contributions (employer) to qualified retirement plan				x	
Contributions (employee deferrals) to 401(k) plan			x		
Contributions (employee			x		

deferrals) to 403(b) plan					
Qualified or nonqualified retirement plan defined benefit accruals (reasonable estimate of increase in actuarial value)				x	
Qualified or nonqualified retirement defined contribution plan investment earnings (no reportable or other compensation)					
Taxable distributions from qualified retirement plan (reported on Form 1099-R) – no reportable or other compensation					
Distributions from nongovernmental 457(b) plan – no reportable or other compensation					
Amounts includible in income under 457(f)			x		
Amounts deferred (plus earnings) under 457(b) plan (vested)			x		
Amounts deferred (plus earnings) under 457(b) plan (nonvested)				x	
Contributions to nonqualified plans (vested)			x		
Contributions to nonqualified plans (nonvested)				x	
Increase in earnings of nonqualified plan			x		
Scholarships and fellowship grants (taxable)			x		
Health benefit plan premiums (taxable)			x		
Health benefit plan premiums (nontaxable)					x
Medical reimbursement and flexible spending programs (taxable)			x		
Medical reimbursement and flexible spending programs (nontaxable)					x
Other health benefits (taxable)			x		
Other health benefits (nontaxable)					x
Life, disability, or long-term-care insurance (taxable)			x		
Life, disability, or long-term-care insurance (nontaxable)					*
Split-dollar life insurance (see Notice 2002-8)			x		
Housing provided by employer			x		

(taxable)					
Housing provided by employer (nontaxable)					*
Personal legal services (taxable)			X		
Personal legal services (nontaxable)					*
Personal financial services (taxable)			X		
Personal financial services (nontaxable)					*
Dependent care assistance (taxable)			X		
Dependent care assistance (nontaxable)					*
Adoption assistance (taxable)			X		
Adoption assistance (nontaxable)					*
Tuition assistance for family (taxable)			X		
Tuition assistance for family (nontaxable)					*
Cafeteria plans (taxable)			X		
Cafeteria plans (nontaxable health benefit)					X
Cafeteria plans (nontaxable benefit other than health)					*
Liability insurance (taxable)			X		
Employer-provided automobile (taxable)			X		
Employer-subsidized parking (taxable)			X		
Travel (taxable)			X		
Moving (taxable)			X		
Meals and entertainment (taxable)			X		
Social club dues (taxable)			X		
Spending account (taxable)			X		

Line 3. Compensation thresholds for Schedule J reporting of former persons. Complete Schedule J for the following:

- each individual listed in Part VII, Section A as a former **officer**, former **key employee**, or a former **highest compensated employee**. To determine whether an individual received more than \$100,000 in **reportable compensation** in the aggregate from the organization and **related organizations**, add the amounts reported in Box 5 of all Forms W-2 and Box 7 of all Forms 1099-MISC issued to the individual by the organization and all related organizations (disregarding amounts from a related organization if below \$10,000) for the **calendar year** ending with or within the organization's **tax year**.
- each individual that received, solely in the capacity as a former **director** or former **trustee** of the organization, more than \$10,000 of reportable compensation (columns (D)

and (E) of Part VII, Section A) during the year from the organization and/or related organizations. To determine whether an individual received or accrued more than \$10,000 in reportable compensation solely in the capacity as a former trustee or director of the organization, add the amounts reported in Box 7 of all Forms 1099-MISC and, if applicable, Box 5 of all Forms W-2 issued to the individual by the organization and all related organizations, to the extent that such amounts relate to the individual's past services as a trustee or director of the organization (not of a related organization). The \$10,000-per-related-organization exception does not apply for this purpose.

Line 4. Schedule J reporting of listed persons with compensation greater than \$150,000.

Complete Schedule J for each individual listed in Part VII, Section A who received or accrued more than \$150,000 of reportable and other compensation from the organization and related organizations. To determine whether any listed individual received or accrued more than \$150,000 of reportable and other compensation, add all **compensation** included in columns (D), (E), and (F) of Part VII, Section A.

The following chart explains which **officers, directors, trustees, key employees, and highest compensated employees** must be reported in Form 990, Part VII, Section A, and which in Schedule J as well. See also line 5 for additional individuals who must be reported in Schedule J, Part II.

MATRIX FOR LINES 3 AND 4

Position	Current or former	List in Form 990, Part VII, Section A:	List in Schedule J, Part II:
Directors and trustees	current	All	if reportable and other compensation > \$150,000 in the aggregate from organization and related organizations (do not report institutional trustees)
	former	if reportable compensation in capacity as former director or trustee > \$10,000 in the aggregate from organization and related organizations	if listed in Form 990, Part VII, Section A (do not report institutional trustees)
Officers	current	All	if reportable and other compensation > \$150,000 in the aggregate from organization and related organizations
	former	if reportable compensation > \$100,000 in the aggregate from organization and related organizations	if listed in Form 990, Part VII, Section A
Key employees (meeting the three tests)	current	All	All

	former	if reportable compensation > \$100,000 in the aggregate from organization and related organizations	if listed in Form 990, Part VII, Section A
Other five highest compensated employees	current	if reportable compensation > \$100,000 in the aggregate from organization and related organizations	if reportable and other compensation > \$150,000 in the aggregate from organization and related organizations
	former	if reportable compensation > \$100,000 in the aggregate from organization and related organizations	if listed in Form 990, Part VII, Section A

Line 5. Schedule J reporting for compensation from certain unrelated organizations.

Complete Schedule J for any individual listed in Form 990, Part VII, Section A if the person receives or accrues **compensation** from an **unrelated organization** for services rendered to the filing organization in the person's capacity as an **officer, director, trustee, or employee** of the filing organization. Also, specify in Part III of Schedule J the name of the unrelated organization, the type and amount of compensation it paid or accrued, and the person receiving or accruing such compensation. The organization must report as compensation amounts received or accrued by the person from the unrelated organization for services rendered to the organization, whether the unrelated organization treats the amounts as compensation, grants, or otherwise. The organization is required to report compensation from an unrelated organization only if it has knowledge of the compensation arrangement.

The compensation from the unrelated organization for services provided to the filing organization must be reported as compensation from the filing organization both in Form 990, Part VII and in Schedule J, Part II. The amounts from the unrelated organization must be taken into account in determining whether the dollar thresholds are met for reporting such persons in Form 990, Part VII, Section A as well as Schedule J.

For purposes of line 5, disregard:

1. payments from a **deferred compensation** trust or plan established, sponsored, or maintained by the organization (or a related organization), and deferred compensation held by such trust or plan.
2. payments from a common paymaster for services provided to the organization (or to a related organization).
3. payments from an unrelated taxable organization that employs the individual and continues to pay the individual's regular compensation while the individual provides services without charge to the filing organization, but only if the unrelated organization does not treat the payments as a charitable contribution to the filing organization.

Example 1. A is the CEO (and thus the top management official) of the organization. In addition to compensation paid by the organization to A, A receives payments from B, an unrelated corporation (using the definition of relatedness in Schedule R), for services provided by A to the organization. B also makes rent payments for A's personal residence. The organization is aware of the compensation arrangement between A and B, and does not treat the payments as paid by the organization for Form W-2 reporting purposes. A, as the top management official of the organization, must be listed as an officer of the organization in Part

VII, Section A. However, the amounts paid by B to A require that the organization answer “yes” to line 5 and complete Schedule J with respect to A.

Example 2. C is an attorney employed by a law firm that is not a related organization with respect to the organization. The organization and the law firm enter into an arrangement where C serves the organization, a 501(c)(3) legal aid society, pro bono on a full-time basis as its vice-president and as a board member while continuing to receive her regular compensation from the law firm. The organization does not provide any compensation to C for the services provided by C to the organization, and does not report C’s compensation on Form W-2 or Form 1099-MISC. The law firm does not treat any part of C’s compensation as a charitable contribution to the legal aid society. Under these circumstances, the amounts paid by the law firm to C do not require that the organization answer “yes” to line 5 with respect to C. Also, nothing in these facts would prevent C from qualifying as an independent member of the organization’s governing body for purposes of Form 990, Part VI, line 1b.

Example 3. D, a volunteer director of the organization, is also the sole owner and CEO of M management company (an unrelated organization), which provides management services to the organization. The organization pays M an annual fee of \$150,000 for the management services. Under the circumstances, the amounts paid by M to D (in the capacity as owner and CEO of M) do not require that the organization answer “yes” to line 5 with respect to D. The organization must report in Schedule L, Part IV, however, the transaction with M, including the relationship between D and M. Also, D does not qualify as an independent member of the organization’s governing body, because D receives indirect financial benefits from the organization through M that are reportable on Schedule L, Part IV.

Section B. Five Highest Compensated Independent Contractors

Complete this table for the five highest compensated **independent contractors** that received more than \$100,000 in compensation for services, whether professional services or other services, from the organization. Independent contractors include organizations as well as individuals and may include professional fundraisers, law firms, accounting firms, publishing companies, **management companies**, and investment management companies. See Publication 1779 and Publication 15-A for distinguishing **employees** from independent contractors.

Column (C). Enter the amount the organization paid, whether reported on Form 1099-MISC, Box 7 or paid pursuant to the parties’ agreement or applicable state law, for the calendar year ending with or within the organization’s tax year.

Compensation includes fees and similar payments to independent contractors but not reimbursement of expenses. However, for this purpose, the organization must report the gross payment to the **independent contractor** that includes expenses and fees if the expenses are not separately reported to the organization.

TIP: Form 1099-MISC is not always required to be issued for payments to an independent contractor.